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MEMORANDUM

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FROM: Ernest G. Johnson
Director
Utilities Division

Arizona Corporation Commission

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AZ CORP COMMISSION
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DATE: September 12, 2008

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RE: HASSAYAMPA UTILITIES COMPANY, INC. - MOTION FOR EXTENSION OF COMPLIANCE FILING DATES (DOCKET NO SW-20422A-05-0659)

In Decision No. 68922, dated August 29, 2006, the Arizona Corporation Commission ("Commission") approved the application of Hassayampa Utilities Company, Inc. ("HUC" or "Company") for a Certificate of Convenience and Necessity ("CC&N") to provide wastewater utility service in Arizona. As part of Decision No. 68922, the Commission ordered HUC to docket various compliance items at various dates.

First Extension

On April 30, 2007, HUC filed a "Motion for Extension of Time" relating to four Commission required filings. On May 23, 2007, Staff filed a Staff Report stating that it did not object to the requested one year extensions. By Procedural Order, dated June 18, 2007, the Company was granted extensions of time for the four items. These extension items, their original due date and the first approved extension dates are shown below:

Item	Item Description	Original Due Date	First Ext. of Time
1	MAG 208 Plan	April 30, 2007	April 30, 2008
2	Approval to Construct from MCESD	July 31, 2007	July 31, 2008
3	Approval of Construction from MCESD	April 30, 2008	April 30, 2009
4	Aquifer Protection Permit (APP) or Az. Pollutant Discharge Elimination System Permit	April 30, 2008	April 30, 2009

The Compliance database shows that the MAG 208 Plan (Item No.1, above) was filed on December 26, 2007. The database also shows that the Arizona Pollutant Discharge Elimination System ("APDES") permit (second half of Item No. 4, above) was filed on July 18, 2008.

Therefore, the unaddressed items from the above list are the Approval to Construct ("ATC") and Approval of Construction ("AOC") from the Maricopa County Environmental Services Department ("MCESD" or "County"). Via a June 18, 2007 Procedural Order, the deadlines for the

remaining ATC and AOC items were extended to July 31, 2008 and April 30, 2009, respectively. In accordance with Staff's recommendation, the Procedural Order also stated that no further extensions should be granted in this matter.

Current Extension

On July 31, 2008, HUC filed a "Motion for Extension of Time and Notice of Filing (Compliance)" relating to the remaining ATC and AOC requirements. The attached Company application outlined that a separate ATC would be filed for both the Phase I Treatment Plant and the Sewer Collection System. Separate AOCs will similarly be filed for each of those projects as well. Therefore, there will be two filings each for the ATC and AOC items, a total of four overall.

In terms of due dates, the Company originally requested only a general due date for three of the four items (Items b, c and d below), proposing that they be due 30 days after issuance of the certificates. On August 7, 2008, after discussion with Staff, the Company provided alternative deadlines via e-mail for each of those filings. These additional due dates were provided as an alternative should the Commission not prefer the open ended deadlines originally proposed by the Company. Staff accepted these alternative deadlines as an amendment to the original July 31, 2008 application. The Company's current request for extension of time, as amended, is shown below:

Item	Item Description	Current Deadline	Original Requested Deadline	Alternative Deadline
a)	ATC for Phase I Wastewater Treatment Facility	July 31, 2008	Attached, no extension necessary	N/A
b)	ATC for Phase I Collection System	July 31, 2008	30 days after issuance	Dec. 31, 2010
c)	AOC for Phase I Wastewater Treatment Facility	April 30, 2009	30 days after issuance	Dec. 31, 2011
d)	AOC for Phase I Collection System	April 30, 2009	30 days after issuance	Dec. 31, 2011

Regarding the ATC for the Phase I Wastewater Treatment Facility (item a above), the July 31, 2008 application included a Notice of Filing stating that the Company had provided that ATC in the application. Based on that filing being included, the Company did not request an extension of time for that item, stating that the filing was attached and no extension was therefore necessary.

ATC Filing - Phase I Wastewater Treatment Facility

Upon reviewing the ATC that was attached to the application, Staff found that the ATC issued for HUC was an "Interim" ATC from the MCESD. Staff contacted Mr. Kenneth R. James, P.E., who signed the interim ATC for the Water/Wastewater Treatment Program at the MCESD. Mr. James confirmed that since HUC was using a "design/build" process for constructing the Wastewater Treatment Facility, the MCESD will be issuing Interim ATCs for each separate phase of the project

and a final ATC upon completion of the project. The Company recognizes this, stating in the application that "MCESD requires additional reviews throughout the design build process, each review receiving an Interim ATC".

Staff found that the Company ATC filing fit the profile outlined by the County and HUC. The Interim certificate allows HUC to perform *only* initial project work relating to the initial mass grading and site work for the overall Wastewater Treatment Facility project. By nature, it is not an ATC for the treatment plant as would be required by the Commission. Rather, the County will perform additional reviews and the Company will receive additional Interim ATCs upon moving to each phase of the project. Based on this, Staff concludes that the Commission requires the ATC for the treatment plant rather than any of the preliminary or "Interim" ATCs that will be issued during the individual "design/build" construction processes. As such, Staff therefore finds that the currently provided ATC is not in compliance with Decision No. 68922 and recommends that the Company provide the final ATC for the project, when received, to achieve compliance. It, therefore, follows that the Company will require an extension of time on the ATC for the Phase I Wastewater Treatment Facility (item a above) contrary to its original position that an extension is not necessary.

ATC / AOC Requirement – Phase I Collection System

The application also states that the ATC and AOC for the Phase I Collection System should receive an extension of time due to pressures from the current real estate slump. The Company states that the "real estate slump has impacted HUC's ability to design its Phase I collection system" and "the slowdown means that it is not clear which section of the Hassayampa Ranch development will be built first, or when the first section will be built". As the Company is unsure which areas will be included in Phase I, it hesitates to speculate which will be built first and proceed with expensive design work that could prove to be wasteful. This is predominantly based on the fact that the developer is not prepared to proceed with construction at this time (even though the developer has confirmed its continuing need for service from HUC). The Company therefore requests that the Phase I Collection System dates for the ATC and AOC be set for a timeframe equivalent to 30 days after issuance from MCESD, or alternatively, if the Commission disagrees with those due dates, December 31, 2010 and December 31, 2011 for the Phase I Collection System ATC and AOC, respectively.

Staff Conclusions

As shown in the application, the Company has spent over \$995,000 in total funds in the areas of permitting (APP/AZPDES), ATC for Phase I Wastewater Treatment Plant and Section 208 approval. The overview of Company ATC efforts also demonstrates that HUC has been actively working, both internally and externally, toward meeting the requirements of the MCESD and, ultimately, the Commission. Although Staff concluded that the Interim ATC provided by the Company does not meet the Compliance requirement of Decision No. 68922, the Company's efforts indicate, and Staff's discussion with Mr. James of the MCESD confirms, that use of the design/build methodology creates a less certain construction process that reasonably would require a more flexible schedule for governmental review.

Based on this pertinent new information of the design/build process and based on the overall Company effort and on the Company's inability to move forward with the Phase I Collection System design due to the uncertainty of the developers construction timetable, Staff believes it appropriate to provide additional time for the Company to comply with the ATC and AOC portions of Decision No. 68922. Staff remains concerned with the need for, and relative length of, requests for extensions of time and therefore will not recommend the Company's open ended, "30 days after issuance" requested deadline. However, Staff will not object to the Company's alternative deadlines with the caveat that the ATC for Phase I of the Wastewater Treatment Facility receive the same December 31, 2010 extension due date as the ATC for the Phase I Collection System. Staff, therefore, recommends the following schedule for the ATC and AOC requirements in Decision No. 68922:

Item Description	Current Deadline	Requested Deadline	Staff Deadline
ATC for Phase I Wastewater Treatment Facility	July 31, 2008	Attached, no extension necessary	Dec. 31, 2010
ATC for Phase I Collection System	July 31, 2008	30 days after issuance	Dec. 31, 2010
AOC for Phase I Wastewater Treatment Facility	April 30, 2009	30 days after issuance	Dec. 31, 2011
AOC for Phase I Collection System	April 30, 2009	30 days after issuance	Dec. 31, 2011

Finally, Staff recommends that the Company receive no further time extensions.

EGJ:BKB:lm

Attachment

Originator: Brian K. Bozzo

SERVICE LIST FOR: HASSAYAMPA UTILITIES COMPANY, INC.
DOCKET NO. W-20422A-05-0659

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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
HASSAYAMPA UTILITIES COMPANY, INC.,
FOR A CERTIFICATE OF CONVENIENCE AND
NECESSITY.

Docket No. SW-20422A-05-0659

**HUC's Motion for Extension of Time
and Notice of Filing (Compliance)**

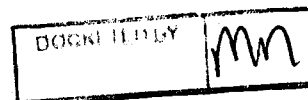
Hassayampa Utility Company, Inc. ("HUC") respectfully requests extensions of time to obtain the Maricopa County Environmental Services Department ("MCESD") Approvals to Construct ("ATC") and Approvals of Construction for ("AOC") as required in this docket. In addition, HUC files the ATC for its Campus No. 1 Water Reclamation Facility.

I. HUC has made substantial progress and has invested significant funds.

On August 29, 2006, the Commission issued Decision No. 68922, which granted HUC a Certificate of Convenience and Necessity ("CC&N") to provide wastewater service for the Hassayampa Ranch subdivision in western Maricopa County. HUC is a subsidiary of Global Water Resources, LLC. The water CC&N for the Hassayampa Ranch subdivision is held by Water Utility of Greater Tonopah, Inc. ("WUGT"), which is also a subsidiary of Global Water Resources, LLC. HUC and WUGT will together provide integrated water, wastewater and recycled water services to the Hassayampa Ranch subdivision.

Arizona Corporation Commission
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HUC has a number of compliance deadlines as established in Decision No. 68922 (as modified by Procedural Order dated June 18, 2007):

Item	Due Date	Status
Approved Section 208 plan amendment	April 30, 2008	Filed at ACC, December 26, 2007; See also supplemental filing April 22, 2008
ATC for Phase I treatment plant and collection system	July 31, 2008	Interim ATC for treatment plant approved July 30, 2008; ATC for collection system delayed
Approval of Construction ("AOC") for Phase I treatment plant and collection system	April 30, 2009	Requires ATC first
Aquifer Protection Permit and / or Arizona Pollution Discharge Elimination System ("AZPDES") permit	April 30, 2009	Approved AZPDES filed July 18, 2008

As shown above, HUC obtained the Section 208 plan amendment and the AZPDES permit in a timely manner. In addition, HUC obtained the Interim ATC for its Campus No. 1 Water Reclamation Facility. HUC spent significant funds as part of its efforts to comply with Decision No. 68922:

Compliance Activity	Amount spent (as of July 2008)
Permitting <ul style="list-style-type: none"> • APP • AZPDES • Special Use Permit 	\$310,170
Campus No. 1 ATC <ul style="list-style-type: none"> • Plant Design • Respond to MCESD 	\$359,797
Section 208 approval	\$325,086
Total	\$995,053

1 HUC's investment in money and resources in this CC&N area demonstrates that HUC is
2 committed to this service area, despite the current development slump. HUC has definitely not
3 "sat on its hands" and done nothing. Instead, HUC has devoted substantial resources towards
4 complying with Decision No. 68922.

5 **II. Overview of ATC for the Phase I treatment plant.**

6 HUC has diligently pursued the ATC for its Campus No. 1 Water Recycling Facility
7 ("WRF")(which is its Phase I facility),¹ as shown by the timeline below:

Action or Document	Date	Attached as Exhibit No.
ATC Application	June 2, 2008	1
Engineering Plans	Sealed, June 2, 2008	2
Design Report	June 2, 2008	3
MCESD Review Comments	June 30, 2008	4
Response to MCESD Comments	July 7, 2008	5
Revised Engineering Plans	July 7, 2008	6
Revised Design Report	July 7, 2008	7
MCESD Second Review Comments	July 17, 2008	8
Response to MCESD Second Review Comments	July 22, 2008	9
Minutes of meeting between MCESD and HUC	July 23, 2008	10
Second Revised Design Report	July 28, 2008	11
Interim ATC	July 30, 2008	12

22
23 HUC and its engineering consultants met with MCESD on July 23, 2008 to further discuss
24 the ATC application. HUC intends to use a "design/build" process for this plant. The
25 design/build process has over the past several years become widely accepted as an alternative

26
27 ¹ Decision No. 70357 (May 16, 2008) also requires HUC to obtain an ATC for Campus No. 1 by
July 31, 2008. HUC is making a parallel filing in that docket, Docket No. SW-20422A-06-0566 et
al.

1 delivery method. Under a design/build process, the same contractor completes the final portion of
2 the design (possibly working with a sub-contractor) and builds the plant. A design/build process is
3 typically more efficient, because the design is closely integrated with the building process. HUC's
4 affiliate, Global Water – Palo Verde Utilities Company, used a design-build process for its Water
5 Recycling Facility in Pinal County. Palo Verde was able to obtain an ATC from ADEQ for that
6 facility by submitting plans similar to the plans submitted here.

7 However, in Maricopa County, for design/build projects MCESD issues an Interim ATC,
8 as MCESD requires additional reviews throughout the design build process, each review receiving
9 an Interim ATC. As shown on the attachments, the Interim ATC allows for construction to begin
10 immediately. The Interim ATC is simply an ATC subject to certain conditions that requires
11 additional reviews by MCESD during the design build process, issued by MCESD under Chapters
12 II and V of the Maricopa County Health Code (which governs ATCs), and therefore satisfies the
13 ATC requirement in Decision No. 68922.

14 **III. HUC should receive an extension for the Phase I collection system ATC.**

15 The current real estate slump has impacted HUC's ability to design its Phase I collection
16 system. In particular, the slowdown means that it is not clear which section of the Hassayampa
17 Ranch development will be built first, or when the first section will be built. Although HUC has
18 an overall master plan for how to serve the area, the uncertainty over the first section means that
19 HUC has been unable to design the Phase I system, because it does not yet know what specific
20 areas will be included in Phase I. Moreover, some of the collection system will be built by the
21 developer under the main extension agreement. The developer is not prepared to proceed with
22 construction at this time. Of course, HUC remains responsible for compliance with all
23 Commission requirements, even those within the control of the developer. However, the current
24 real estate situation has impacted the developer, and this has in turn impacted HUC's ability to
25 meet the timeline specified by the Commission.

26 HUC could speculate as to which parts of Hassayampa Ranch will be built first, and when.
27 But that would not be prudent. HUC estimates that, depending on the size of Phase I, the design

work associated with the Phase I ATC would cost between \$200,000 and \$400,000 dollars. If HUC guessed wrong, the funds spend on designing a system for the wrong area would essentially be wasted. It would not be in the public interest to force HUC or the developer to proceed at this time with the collection system, given these uncertainties. Accordingly, HUC requests that the deadline for obtaining the ATC for the Phase I collection system be extended so that the ATC is due 30 days after issuance. In addition, HUC requests that the deadlines for the final Approvals of Construction ("AOC") also be extended so that the AOCs are due 30 days after issuance.

IV. Conclusion.

HUC has invested substantial time and effort in complying with Decision No. 68922. Granting an extension of time will allow HUC to continue to work with its affiliate WUGT to plan and provide integrated utility services to Hassayampa Ranch, including recycled water services. The current real estate slump has made obtaining the ATC for the collection system, and the AOCs, impractical at this time. Accordingly, HUC requests the following extensions of time:

Item	Current Deadline	Requested Deadline
ATC for Phase I wastewater treatment facility	July 31, 2008	Attached; no extension necessary
ATC for Phase I collection system	July 31, 2008	30 days after issuance
AOC for Phase I wastewater treatment facility	April 30, 2009	30 days after issuance
AOC for Phase I collection system	April 30, 2009	30 days after issuance

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1 RESPECTFULLY SUBMITTED this 31st day of July 2008.

2 ROSHKA DEWULF & PATTEN, PLC

3
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